CalPERS

Total Fund Monthly Update

MONTH ENDING SEPTEMBER 30, 2011

CalPERS Total Fund Monthly Update

Month Ending September 30, 2011

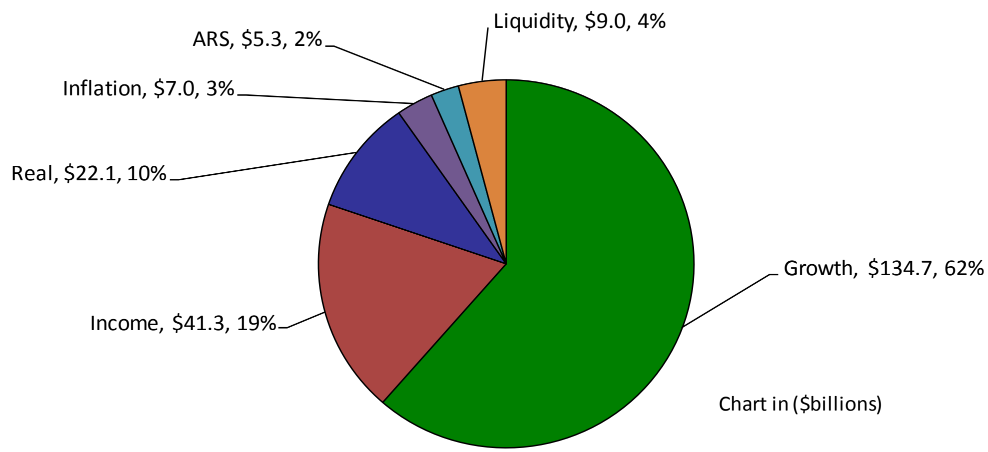
Note: Sections I – IV report on the PERF unless otherwise noted.

Section I

Asset Allocation and Risk

MONTH ENDING SEPTEMBER 30, 2011

Asset Allocation and Unfunded Commitments *(as of September 30, 2011)*



Asset Allocation as of September 30, 2011											
	Growth	Public Equity [1]	Private Equity [1]	**Income**	**Liquidity**	**Real**	Real Estate	Forestland/ Infrastructure	**Inflation**	**ARS**	Total Fund
Strategic Target Range %	**56-70%**	**42-56%**	**10-18%**	**11-21%**	**1-7%**	**8-18%**	**7-13%**	**1-5%**	**1-7%**		
Interim Strategic Target %	64%	50%	14%	19%	4%	10%	8%	2%	3%	N/A	N/A
Actual Investment %	61%	46%	16%	19%	4%	10%	9%	1%	3%	2%	N/A
Variance % (Strategic vs. Actual)	**(3%)**	**(4%)**	**2%**	**(0%)**	**0%**	**0%**	**1%**	**(1%)**	**0%**	**N/A**	N/A
Interim Strategic Target ($billions)	$140.4	$109.7	$30.7	$41.7	$8.8	$21.9	$17.5	$4.4	$6.6	N/A	$219.4
Actual Investment ($billions)	$134.7	$100.5	$34.2	$41.3	$9.0	$22.1	$19.1	$3.0	$7.0	$5.3	$219.4
**Variance $**(Interim Strategic vs. Actual) ($billions)	**($5.6)**	**($9.2)**	**$3.5**	**($0.4)**	**$0.2**	**$0.1**	**$1.5**	**($1.4)**	**$0.4**	**N/A**	N/A
% Passive	52%	70%	0%	0%	0%	5%	6%	0%	0%	0%	33%
% Active	48%	30%	100%	100%	100%	95%	94%	100%	100%	100%	67%
% Internal	61%	82%	0%	89%	100%	6%	6%	0%	100%	0%	62%
% External	39%	18%	100%	11%	0%	94%	94%	100%	0%	100%	38%

[1] Equity overlay and lending income are included in International Equity, undistributed lending income is included in Global Equtiy, currency overlay funds are included in Liquidity and the Global Equity Cash Account is included in Domestic Equity and Domestic Fixed Income Transition Account is included in Domestic Fixed Income.
[2] Interim strategic targets adopted by Board at the August 17th, 2011 Investment Committee meeting

Unfunded Market Commitments as of September 30, 2011										
	Private Equity		**Real Estate (as of August 31, 2011)**		**Infrastructure (as of August 31, 2011)**		**Forestland (as of August 31, 2011)**		**Corporate Governance (as of August 31, 2011)**	
Funded	**$(in Billions)**	**% Allocation**	**$(in Billions)**	**% Allocation**	**$(in Billions)**	**% Allocation**	**$(in Billions)**	**% Allocation**	**$(in Billions)**	**% Allocation**
Fair Market Value (FMV)	$34.2	16%	$19.1	9%	$.8	0%	$2.3	1%	$4.4	2%
Unfunded Commitment (UC)	$14.1	6%	$7.3	3%	$.3	0%	$.1	0%	$.4	0%
FMV + UC	**$48.3**	**22%**	**$26.4**	**12%**	**$1.1**	**0%**	**$2.4**	**1%**	**$4.8**	**2%**

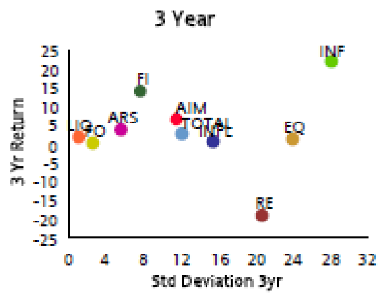
Top 20 Exposures: Public Markets *(as of September 30, 2011)*

	Company Name	Total Global Equity [2]	Total Fixed Income [3]	Market Value	% of Total Fund
1	EXXON MOBIL CORP	$1075.7	$0.0	$1075.7	0.49%
2	APPLE INC	$1012.2	$0.0	$1012.2	0.46%
3	GENERAL ELECTRIC CO	$484.2	$267.2	$751.4	0.34%
4	AT&T INC	$544.2	$166.7	$710.9	0.32%
5	MICROSOFT CORP	$616.0	$0.0	$616.0	0.28%
6	INTL BUSINESS MACHINES CORP	$608.1	$0.0	$608.1	0.28%
7	NESTLE SA REG	$601.7	$0.0	$601.7	0.27%
8	CHEVRON CORP	$563.0	$0.0	$563.0	0.26%
9	WELLS FARGO & CO	$393.7	$144.7	$538.5	0.25%
10	JPMORGAN CHASE & CO	$361.3	$169.4	$530.8	0.24%
11	HSBC HOLDINGS PLC	$397.5	$133.0	$530.4	0.24%
12	PROCTER & GAMBLE CO	$515.5	$0.0	$515.5	0.23%
13	JOHNSON & JOHNSON	$506.2	$0.0	$506.2	0.23%
14	PFIZER INC	$431.5	$72.9	$504.4	0.23%
15	WAL MART STORES INC	$394.0	$107.8	$501.8	0.23%
16	VODAFONE GROUP PLC	$427.5	$61.1	$488.6	0.22%
17	COCA COLA CO	$437.0	$0.0	$437.0	0.20%
18	VERIZON COMMUNICATIONS INC	$320.9	$90.7	$411.7	0.19%
19	ORACLE CORP	$406.7	$0.0	$406.7	0.19%
20	NOVARTIS AG REG	$404.3	$0.0	$404.3	0.18%

1 Only includes Global Equity & Fixed Income assets custodied with master custodian
2 Source for Global Equity values: State Street Bank
3 Source for Global Fixed Income values: Blackrock Solutions

Total Fund Risk Profile *(as of September 30, 2011)*

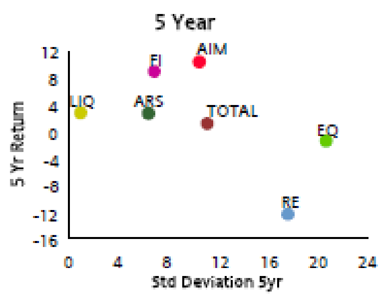
3 Year Risk Profile



TRACKING ERROR

	Excess Return (%)	Tracking Error	Information Ratio
TOTAL FUND	-2.87	3.66	-0.78
PUBLIC EQUITY	-0.72	1.28	-0.56
INCOME	2.28	3.95	0.58
PRIVATE EQUITY	-7.75	15.42	-0.50
REAL ESTATE	-19.55	16.40	-1.19
LIQUIDITY	-0.17	0.24	-0.70
INFLATION	-1.09	4.03	-0.27
ABSOLUTE RETURN STRATEGY	-3.00	5.99	-0.50
FORESTLAND	-6.04	3.34	-1.81
INFRASTRUCTURE	15.44	28.22	0.55

5 Year Risk Profile



TRACKING ERROR

	Excess Return (%)	Tracking Error	Information Ratio
TOTAL FUND	-2.31	3.00	-0.77
PUBLIC EQUITY	-0.78	1.07	-0.73
INCOME	0.44	3.27	0.13
PRIVATE EQUITY	-3.97	13.06	-0.30
REAL ESTATE	-17.52	14.11	-1.24
LIQUIDITY	-0.07	0.19	-0.38
INFLATION			
ABSOLUTE RETURN STRATEGY	-5.35	6.87	-0.78
FORESTLAND			
INFRASTRUCTURE			

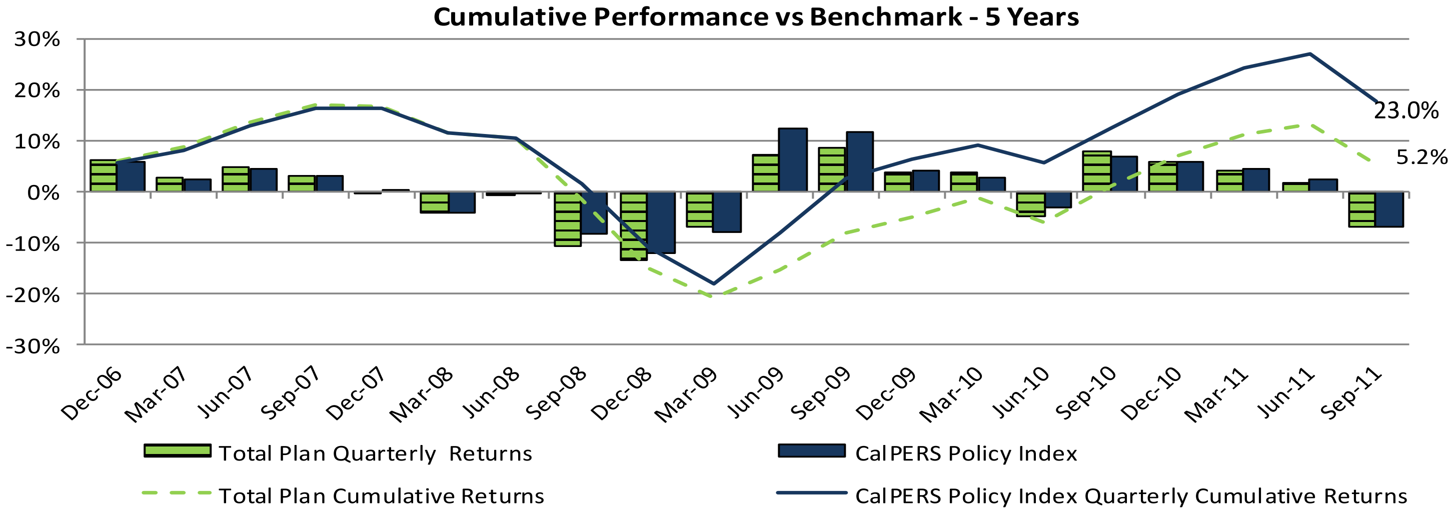
Excess Return - The difference between the portfolio return and the index return for the given period
Tracking Error - Standard deviation of the Excess Return
Information Ratio - Excess Return divided by the Tracking Error
The information ratio is used to measure risk adjusted returns; industry practice suggests that below 0.15 is considered low, between 0.15 and 0.25 is medium, and above 0.35 is high.

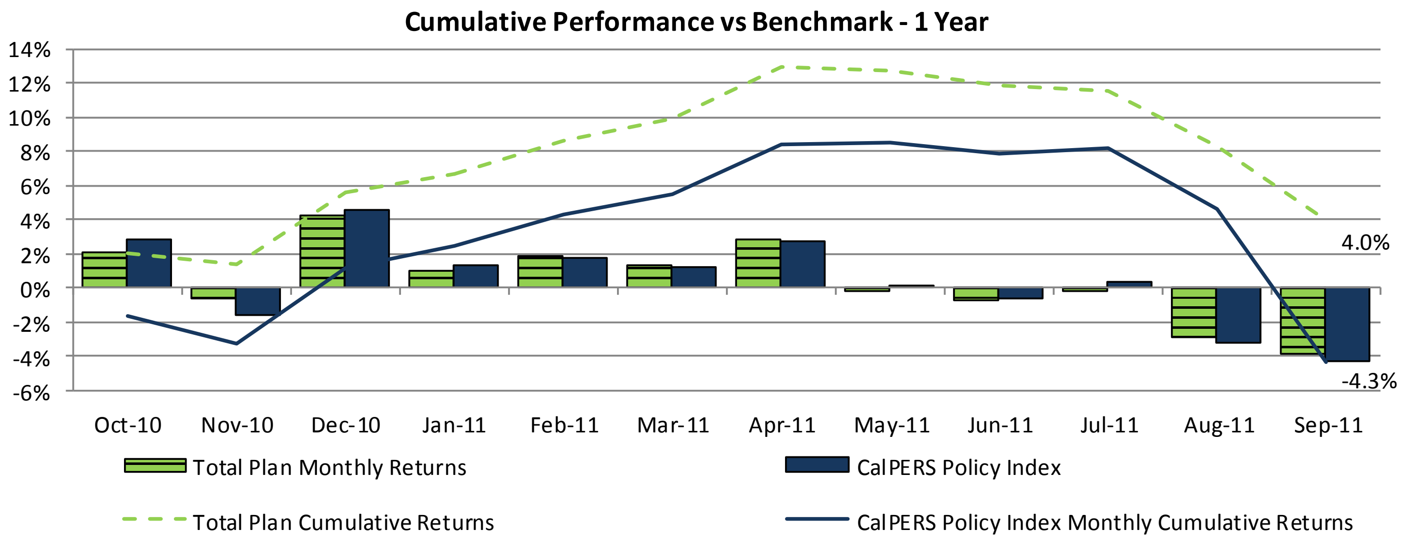
Section II

Investment Performance

MONTH ENDING SEPTEMBER 30, 2011

Net Performance Summary *(as of September 30, 2011)*





Net Performance Summary *(as of September 30, 2011)*

TOTAL FUND SUMMARY	Ending Market Value ($millions)	% of Total Assets	1 Month Fund Rate of Return	1 Month Excess Return in Bps	FYTD Fund Rate of Return	FYTD Excess Return in Bps	1 Yr Fund Rate of Return	1 Yr Excess Return in Bps	3 Yr Fund Rate of Return	3 Yr Excess Return in Bps	5 Yr Fund Rate of Return	5 Yr Excess Return in Bps	10 Yr Fund Rate of Return	10 Yr Excess Return in Bps
GROWTH	134,739	61.4	(7.2)	78	(13.3)	89	1.3	(23)	1.8	(202)	0.3	(139)	5.3	(60)
PUBLIC EQUITY	100,508	45.8	(9.9)	2	(17.9)	17	(5.8)	80	0.9	(72)	(1.6)	(78)	4.5	(32)
PRIVATE EQUITY	34,231	15.6	1.5	283	3.7	283	28.4	(749)	6.1	(775)	10.2	(397)	9.0	(130)
INCOME	40,716	18.6	1.6	(30)	6.5	(129)	8.5	(29)	13.6	228	8.8	44	7.9	58
LIQUIDITY	8,637	3.9	0.4	6	3.2	(32)	3.0	(61)	1.4	(17)	2.6	(7)	2.6	10
REAL	22,068	10.1	2.9	40	2.4	10	12.9	(250)	(17.2)	(1,717)	(10.8)	(1,614)	3.0	(677)
REAL ESTATE	19,087	8.7	3.3	14	2.6	(5)	14.2	(277)	(19.4)	(1,956)	(12.5)	(1,752)	1.9	(652)
FORESTLAND	2,291	1.0	0.3	(34)	0.3	(34)	(2.4)	(1,050)	(0.2)	(604)				
INFRASTRUCTURE	690	0.3	3.6	295	3.6	231	48.4	3,971	21.5	1,543				
INFLATION	6,956	3.2	(5.0)	(86)	(2.7)	(110)	10.9	399	0.3	(109)				
COMMODITIES	2,162	1.0	(12.2)	1	(12.2)	(52)	3.0	9	(14.9)	107				
INFLATION LINKED BONDS	4,794	2.2	(1.4)	9	2.3	48	8.7	87	7.2	28				
ABSOLUTE RETURN STRATEGY	5,306	2.4	(1.0)	(140)	(1.5)	(150)	2.3	(325)	3.3	(300)	2.5	(535)		
OVERLAY & TRANSITION ACCOUNTS	940	0.4												
TOTAL FUND	**219,361**	**100.0**	**(4.0)**	**37**	**(7.0)**	**16**	**4.0**	**(61)**	**2.2**	**(287)**	**1.0**	**(231)**	**5.5**	**(96)**

Total Fund Inception to Date Net Return: 8.2%.

Inception date: 07/01/1988

Note: Returns for periods greater than one year are annualized.

Net Performance vs. Long-Term Expected Returns *(one year period ending September 30, 2011)*

Asset Class	Actual Allocation (%)	One-year Net Asset Return (%)	CalPERS Long-Term Expected Annual Return [1, 2] (%)	Expected Standard Deviation[1] (%)	+/- One Standard Deviation Range [3] (%)		
Public Equity	46	(5.8)	7.75	16.00	(7.07)	-	24.93
Private Equity	16	28.4	9.00	26.00	(13.94)	-	38.06
Total Growth	61	1.3					
Income	19	8.5	3.75	6.50	(2.55)	-	10.45
Real Estate	10	14.2	7.00	14.00	(6.09)	-	21.91
Forestland	1	(2.4)	7.00	10.00	(2.53)	-	17.47
Infrastructure	0	48.4	7.00	10.00	(2.53)	-	17.47
Total Real	10	12.9					
Inflation Linked Bonds	2	3.0	3.50	6.00	(2.33)	-	9.67
Commodities	1	8.7	5.00	21.00	(13.92)	-	28.08
Total Inflation	3	10.9					
Absolute Return Strategy (ARS) [1]	2	2.3					
Liquidity	4	3.0	3.25	6.20	(2.76)	-	9.64
Total Fund	100	4.0	7.38	11.92	(3.88)	-	19.93

[1] Investment Committee Meeting December 2010 excluding ARS which was not forecasted. These are the capital markets assumptions used in the 2010 Strategic Asset Allocation Study.

[2] Compound return

[3] Standard Deviation is a measure of variability of returns around the expected average return. Returns are expected to be within minus one and plus one standard deviation 67% of the time, or two out of every three years.

Note: The Global Equity Transition Account is included in Domestic Equity, the Fixed Income Transition Account is included in Domestic Fixed Income , and the currency overlay funds are included in Liquidity for Asset Allocation purposes.

Section III

Investment Policy and Compliance

MONTH ENDING SEPTEMBER 30, 2011

Policy Violations

Material Exceptions to Policy

According to policy requirements, the following is a summary of investment policy violations as reported by the program areas.

The following program areas had no violations to report for the period:

- Public Equity
- Private Equity
- Forestland
- Infrastructure - Per the new Infrastructure Policy effective as of August 15, 2011, as stated in Section V.F.2, the requirement to meet various policy parameters will be applicable for the Infrastructure Program only when the NAV exceeds $3 billion.
- Income
- Liquidity
- Absolute Return Strategies

The following program area had violations to report for the period:

- **Real Estate**
  - The Investment Committee approved the Real Estate Policy effective June 15, 2009. The policy includes limits that have been reduced in a number of key areas. As a result of the reduced limits and market conditions that have resulted in market value declines, the portfolio is out-of-compliance with the policy in the areas listed below.

Policy Violations

- **Real Estate (Cont.)**
  - CalPERS' Opportunistic asset exposure was approximately 40.5% as of June 30, 2011, or 0.5 percentage point above the policy range of 10.0% to 40.0%. The amount above the policy range decreased over the last quarter from 40.6% to 40.5%; and decreased over the last calendar year from 42.2% to 40.5%.
  - CalPERS' Other property type exposure was approximately 14.5% as of June 30, 2011, or 4.5 percentage points above the policy limit of 10%. The variance is attributed to Other property type exposure being comprised largely of Mixed-Use properties at 5.7% of the total portfolio. Staff is evaluating options for classification of mixed-use properties. The amount above the policy range decreased over the last quarter from 15.1 to 14.5%; and decreased over the last calendar year from 16.3 to 14.5%.
- **Inflation**

  Compliance Issue: Commodities Counterparty creditworthiness

  - Based on the current Commodities Investment policy language regarding counterparty risk ("Counterparty creditworthiness, for non-exchange traded derivatives, shall be at a minimum of "A3" as defined by Moody's Investor Service, "A-" by Standard & Poor's and "A-" by Fitch. The use of counterparties holding a split rating with one of the ratings below A3/A- is prohibited."), the portfolio was in violation based on the recent downgrade of Bank of America to Baa3 by Moody's. While our trading counterparty is Merrill Lynch Capital Services, this entity does not have a direct rating, therefore we are using the parent by default. To remedy this violation, we terminated the Commodity swap positions with MLCS as of COB September 30, 2011.

Significant Events

The following program areas had no significant events to report for the period:

- Public Equity
- Private Equity
- Real Estate
- Income
- Liquidity
- Forestland
- Infrastructure
- Inflation
- Absolute Return Strategies

The following program areas had significant events to report for the period:

- No items to report

Disclosure of Closed Session Action Items

	Investment Committee Meeting	Agenda Item	Investment Committee Action	Vote
	Closed March 14, 2011	Corporate Governance – Focus List – Recommendation to Engage Companies	Approved companies for engagement.	Roll Call Vote: YES – Beatty, Costigan, Diehr, Dowell, Jones, Mathur, McGuire, Moret ABSTAIN – Jelincic

Spring-Fed Pool Contract Status Quarterly Report

The Investment Office Spring-Fed Pool Consultant Status Report for the period ending September 30, 2011, has been prepared by staff from Investment Policy and Business Services (PBSD). The report details Letter of Engagement (LOE) commitments of $8,548,350 for spring-fed pool contractors since July 1, 2011. Actual expenditures against these commitments may be less, but never greater than this amount.

Quarter	Program	Pool Name	Consultant	Start Date	End Date	LOE Description	Commitment	Selection Reason
Q1	INVO	AIM Spring-Fed Pool	LP Capital (Contract #2011-6083)	11/01/10	06/30/11	Investment Proposal Tracking System Business Process Support	$125,000	Experience with CalPERS business process
Q1	AIM			07/01/11	08/31/11	Due Diligence Assistance	$25,000	Project work was started under prior contract
Q1				07/01/11	09/30/11	Portfolio Assistance for all AIM investments except Oak Hill and Centinela	$1,500,000	Specialized expertise - Ability to meet short timeframes
Total AIM Committed Amount							**$1,650,000**	
Q1	INVO	Executive Search Pool	Ridgeway Partners LLC (Contract #2009-5358)	07/06/11	Upon completion	AIM/Two Senior Portfolio Manager Positions	$235,000	Existing knowledge of the investment or organization
Total Investment Executive Search Committed Amount							**$235,000**	
Q1	Infrastructure & Forestland	General Pension Consultant Spring-Fed Pool	Arup North America (Contract # 2010-5636)	09/21/11	11/30/11	Technical Advisory Consulting Services	$98,600	Specialized Expertise - Established Expertise in Energy Sector
						Subtotal	**$98,600**	
Q1	Real Estate	General Pension Consultant Spring-Fed Pool	Callan Associates, Inc. (Contract #2009-5108)	07/11/11	02/01/12	Consulting Services - Support Staff on RFP (Real Estate Insurance Brokerage and Risk Management Services) (Subbed to Nelson & Bernstein)	$38,500	Specialized expertise - Subject matter expert in insurance
						Subtotal	**$38,500**	
Q1	INVO	General Pension Consultant Spring-Fed Pool	Pension Consulting Alliance, Inc. (Contract # 2009-5105)	07/01/11	06/30/12	Back-up to the Primary Pension Consultant	$150,000	Consultant selected by Board
Q1	Real Estate			09/01/11	03/31/12	Primary Real Estate Consulting Services	$665,000	Consultant selected by Board
						Subtotal	**$815,000**	
Q1	INVO	General Pension Consultant Spring-Fed Pool	Robert H. Schaffer & Associates, LLC (Contract # 2010-5633)	09/01/10	06/30/11	Strategic Consulting Services Rapid Results Projects	$100,000	Organizational and structural analysis experience
						Subtotal	**$100,000**	
Total General Pension Committed Amount							**$1,052,100**	

Spring-Fed Pool Contract Status Quarterly Report (Cont.)

Quarter	Program	Pool Name	Consultant	Start Date	End Date	LOE Description	Commitment	Selection Reason
Q1	GE	Global Equity Consultant Spring-Fed Pool	Garland Associates, Inc. (Contract # 2010-5960)	08/05/11	10/31/11	Proxy Solicitation Services	$33,500	Only vendor in pool with knowledge and experience to meet objectives of project
						Subtotal	**$33,500**	
Q1	GE	Global Equity Consultant Spring-Fed Pool	Mosaic Investment Advisors Inc. (Contract # 2010-5945)	05/01/11	09/30/12	Global Equity Brokerage Services	$535,000	Only vendor in pool with knowledge and experience to meet objectives of project
Q1				05/02/11	06/30/12	Risk Managed Absolute Return Strategies Services	$105,000	Only vendor in pool with knowledge and experience to meet objectives of project
						Subtotal	**$640,000**	
		Total Global Equity Committed Amount					**$673,500**	
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Bard Consulting LLC (Contract # 2010-5565)	07/01/11	06/30/12	Portfolio Monitoring Assistance	$170,000	Existing knowledge of the investment or organization
Q1				07/01/11	06/30/12	Portfolio Monitoring Assistance	$145,000	Existing knowledge of the investment or organization
Q1				07/01/11	06/30/12	Portfolio Monitoring Assistance	$320,000	Existing knowledge of the investment or organization
						Subtotal	**$635,000**	
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Callan Associates, Inc. (Contract #2010-5562)	07/01/11	06/30/12	Portfolio Monitoring Assistance	$235,000	Existing project, continued with new contract
						Subtotal	**$235,000**	
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Courtland Partners, Ltd. (Contract #2010-5558)	11/15/10	06/30/12	Funds Review (Amendment to Increase LOE from Q2 FY 10-11)	$40,000	Lowest cost, provides similar services to other clients
Q1				07/01/11	01/31/12	Sector Plan Preparation	$75,000	Only pool contractor with expertise to perform the work
Q1				07/01/11	06/30/12	Portfolio Monitoring Assistance	$200,000	Existing project, continued with new contract
Q1				07/01/11	07/31/11	Annual Investment Plan Review	$77,000	Best Value (Determined through bid request proposals)
Q1				07/01/11	01/31/12	Annual Investment Plan Review (Amendment to Increase LOE from Q1 FY 11-12)	$73,000	Best Value (Determined through bid request proposals)
						Subtotal	**$465,000**	

Spring-Fed Pool Contract Status Quarterly Report (Cont.)

Quarter	Program	Pool Name	Consultant	Start Date	End Date	LOE Description	Commitment	Selection Reason
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Crosswater Realty Advisors, LLC (Contract #2010-5557)	07/01/10	06/30/11	Asset Transfer Services (Amendment to Increase LOE from Q1 FY 10-11)	$70,750	Provides similar services to other clients/coverage overlap
Q1				07/01/11	06/30/12	Consulting Services - Evaluation and Portfolio Review	$150,000	Only pool contractor with expertise to perform the work
Q1				07/01/11	06/30/12	Portfolio Monitoring Assistance	$300,000	Existing knowledge of the investment or organization
Q1				07/18/11	12/31/11	Consulting Services - Program Research, Design & Development Assistance.	$100,000	Existing knowledge of the investment or organization
						Subtotal	**$620,750**	
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	JDM Associates, LLC. (Contract # 2010-5552)	06/24/11	07/31/12	Consulting Services - Environmental Goal Initiative	$75,000	Existing project, continued with new contract
						Subtotal	**$75,000**	
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Le Plastrier (Contract #2010-5550)	07/01/11	06/30/12	Consulting Services - Oversight and Management	$360,000	Existing project, continued with new contract
Q1				07/01/11	06/30/12	Consulting Services - Oversight and Management	$360,000	Existing project, continued with new contract
Q1				07/01/11	06/30/12	Consulting Services - Oversight and General Monitoring	$240,000	Existing project, continued with new contract
Q1				07/01/11	06/30/12	Consulting Services - Oversight and General Monitoring	$150,000	Existing project, continued with new contract
Q1				07/01/11	06/30/12	Consulting Services - Evaluation and Portfolio Review	$420,000	Existing project, continued with new contract
Q1				07/01/11	06/30/12	Consulting Services - Oversight and Management	$894,000	Existing knowledge of the investment or organization
						Subtotal	**$2,424,000**	
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	L P Capital Advisors (Contract # 2010-5548)	07/01/11	06/30/12	Portfolio Assistance	$125,000	Existing knowledge of the investment or organization
Q1				07/01/11	06/30/12	Portfolio Assistance (Amendment to Increase LOE from Q1 FY 11-12)	$50,000	Existing knowledge of the investment or organization
						Subtotal	**$175,000**	
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Nichols Consulting (Contract #2010-5573)	12/15/10	01/31/12	Consulting Services - Annual Budgeting and Planning Initiative. (Amendment to Increase LOE from Q3 FY 10-11)	$90,000	Experience with CalPERS business process
Q1				07/01/11	03/31/12	Consulting Services - PMG Procedures Manual	$108,000	Existing knowledge of the investment or organization
						Subtotal	**$198,000**	

Spring-Fed Pool Contract Status Quarterly Report (Cont.)

Quarter	Program	Pool Name	Consultant	Start Date	End Date	LOE Description	Commitment	Selection Reason
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Crosswater Realty Advisors, LLC (Contract #2010-5557)	07/01/10	06/30/11	Asset Transfer Services (Amendment to Increase LOE from Q1 FY 10-11)	$70,750	Provides similar services to other clients/coverage overlap
Q1				07/01/11	06/30/12	Consulting Services - Evaluation and Portfolio Review	$150,000	Only pool contractor with expertise to perform the work
Q1				07/01/11	06/30/12	Portfolio Monitoring Assistance	$300,000	Existing knowledge of the investment or organization
Q1				07/18/11	12/31/11	Consulting Services - Program Research, Design & Development Assistance.	$100,000	Existing knowledge of the investment or organization
Q1	Real Estate	Real Estate Consulting Services Spring-Fed Pool	Pension Consulting Alliance, Inc. (Contract #2010-5571)	01/15/11	06/30/11	Consulting Services - Portfolio Advice and Research (Amendment to Increase LOE from Q4 FY 10-11)	$10,000	Existing knowledge of the investment or organization
Q1				01/15/11	06/30/11	Strategic Plan Assistance & Development (Amendment to Increase LOE from Q4 FY 10-11)	$25,000	Existing knowledge of the investment or organization
Q1				07/01/11	06/30/12	Program Review (Responsible Contractor Program Policy)	$75,000	Existing project, continued with new contract
						Subtotal	**$110,000**	
			Total Real Estate Committed Amount				**$4,937,750**	
			Grand Total Spring-Fed Pool Consultants Committed Amount				**$8,548,350**	

Section IV

Investment Transactions

MONTH ENDING SEPTEMBER 30, 2011

Items Completed Under Delegated Authority *(for the month of September 30, 2011)*

Program Area	Name of Investment	Commitment	Complies with Delegation	Due Diligence Report
No Items to Report				
*Additional Commitments to current investment				

Disclosure of Placement Agent Fees *(for the month of September 30, 2011)*

Program Area	Firm Name	Fund	Placement Agent Firm	REGISTERED SEC/FINRA	REGISTERED Secretary of State	Estimated Placement Agent Compensation	Transaction Type
Real Estate	RREEF America, LLC	CalWest	DWS Investment Distributors, Inc.	Yes	Yes	-	Amendment [1]
Global Equity	Baillie Gifford Overseas Limited		Baillie Gifford International LLC	Yes	No	3,800.00	Amendment [2]
Global Equity	Marvin Palmer Associates		Marvin Palmer Associates, Inc.	Yes	Yes	-	Amendment [3]
Absolute Return Strategies	KLS Diversified Asset Management, LP	KLS Diversified Fund, Ltd	APB Financial Group, LLC	Yes	Yes	60,000.00	Amendment [4]
AIM	Warburg Pincus, LLC	Warburg Pincus Private Equity XI, LP	Warburg Pincus, LLC	In progress	Yes	48,700.00	Proposed [5]

Notes:

[1] The compensation is for general services provided; the amendment does not benefit the placement agent.

[2] The allocation results in a commission of approximately $3,800 payable per annum by BGO to BGI.

[3] The amendment does not benefit the placement agent; thus there is no compensation disclosed.

[4] Estimated fees are paid based on the referral fee equal to 20% of management fees and 10% performance received by the Manager.

[5] The sales staff estimated compensation of $48,700 is for the period 9/1/11 to 9/1/12, is not dependent on services offered to CalPERS and is not based on number of investments made.

Investment Transactions Summary – Estimated Values *(for the month of September 30, 2011)*

	PERF - Public Markets					
	Public Equity	REIT	Income	Inflation	ARS	Liquidity
Beginning Market Value	111,643,407,508	1,376,168,460	41,211,663,103	7,322,542,169	5,365,997,098	7,347,752,367
+ Purchases	4,377,721,439	48,294,992	6,673,310,383	2,304,900,052	-	117,850,000
- Sales	(3,640,916,075)	(5,216,903)	(6,435,547,882)	(1,954,900,052)	(6,186,128)	(204,500,000)
+/- Other Changes in MV	(11,882,238,989)	(199,081,804)	(165,010,155)	(716,146,113)	(54,048,032)	1,744,208,066
Ending Market Value	100,497,973,883	1,220,164,744	41,284,415,449	6,956,396,055	5,305,762,939	9,005,310,433

	PERF - Private Markets			
	Private Equity	Real Estate	Forestland	Infrastructure
Beginning Market Value	33,804,411,004	17,151,051,520	2,286,543,932	636,611,841
+ Contributions	432,593,967	214,125,705	110,153,075	2,270,829
- Distributions	(499,382,429)	(464,502,769)	(2,953,120)	(3,893,059)
+/- Other Changes in MV	492,953,148	965,816,440	(102,964,966)	55,161,626
Ending Market Value	34,230,575,691	17,866,490,897	2,290,778,922	690,151,237

	Total PERF		
	Total Public Markets	Total Private Markets	Total PERF
Beginning Market Value	174,267,530,705	53,878,618,296	228,146,149,001
+ Contributions	13,522,076,866	759,143,577	14,281,220,443
- Distributions	(12,247,267,040)	(970,731,376)	(13,217,998,416)
+/- Other Changes in MV	(11,272,317,027)	1,410,966,249	(9,861,350,778)
Ending Market Value	164,270,023,504	55,077,996,746	219,348,020,250

Note: Numbers will not tie exactly to the Asset Allocation/Performance buckets due to classification differences.

Investment Proposal Activity Summary *(for the month of September 30, 2011)*

	Private Asset Classes				Public Asset Classes				
	Alternative Investments	Forestland	Infrastructure	Real Estate	ARS	Global Equities	Commodities	Global Fixed Income	Total
Start of Month Proposals	69	3	35	45	13	4	5	6	180
New Proposals for the Month	20	0	5	10	5	33	6	4	83
Decisions During the Month	27	0	0	18	11	24	4	0	84
End of Month Proposals	62	3	40	37	7	13	7	10	179

Status Details

	Private Asset Classes				Public Asset Classes				
Status	Alternative Investments	Forestland	Infrastructure	Real Estate	ARS	Global Equities	Commodities	Global Fixed Income	Total
Start of Month Proposals									
Submitted	1	0	0	12	0	0	1	0	14
Screening	66	3	34	31	11	4	4	6	159
Due Diligence	2	0	1	2	2	0	0	0	7
Subtotal	69	3	35	45	13	4	5	6	180
New Proposals for the Month									
Subtotal	20	0	5	10	5	33	6	4	83
Decisions During the Month									
Committed	0	0	0	0	0	0	0	0	0
Declined	25	0	0	14	0	4	4	0	47
Failed to Materialize	0	0	0	0	0	1	0	0	1
Referred	2	0	0	4	11	19	0	0	36
Subtotal	27	0	0	18	11	24	4	0	84
End of Month Proposals									
Submitted	6	0	5	3	0	0	0	0	14
Screening	52	3	34	31	5	13	7	10	155
Due Diligence	4	0	1	3	2	0	0	0	10
Subtotal	62	3	40	37	7	13	7	10	179

Section V

Affiliate and Other Funds

MONTH ENDING SEPTEMBER 30, 2011

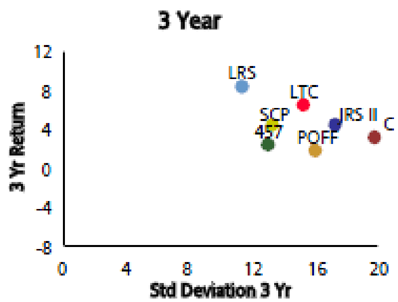
Asset Allocation *(as of September 30, 2011)*

Asset Allocation as of September 30, 2011									
	Global Equity	Domestic Equity	International Equity	Domestic Fixed	TIPS	High Yield	REITs	Commodities	Cash
Defined Benefit Plans									
Legislators' Retirement System									
Target Ranges %	27-37%	N/A	N/A	37-47%	11-19%	N/A	6-10%	1-5%	N/A
Strategic Target %	32%			42%	15%		8%	3%	0%
Actual Investment %	31%			42%	15%		8%	3%	0%
Variance % (Strategic vs. Actual)	**(1%)**			**0%**	**0%**		**0%**	**0%**	**0%**
Judges' II Retirement System									
Target Ranges %	58-68%	N/A	N/A	15-25%	4-8%	N/A	6-10%	1-5%	N/A
Strategic Target %	63%			20%	6%		8%	3%	0%
Actual Investment %	63%			20%	6%		8%	3%	0%
Variance % (Strategic vs. Actual)	**(0%)**			**0%**	**0%**		**(0%)**	**0%**	**0%**
Health and Other Post-Employment Benefit Trusts									
Long-Term Care Fund									
Target Ranges %	N/A	20-35%	14-24%	25-35%	7-15%	8-12%	3-7%	N/A	N/A
Strategic Target %		25%	19%	30%	11%	10%	5%		
Actual Investment %		25%	19%	32%	11%	8%	5%		
Variance % (Strategic vs. Actual)		**(0%)**	**(0%)**	**2%**	**0%**	**(2%)**	**(0%)**		
CERBT Strategy 1									
Target Ranges %	N/A	30-40%	26-36%	13-23%	N/A	3-9%	8-12%	N/A	N/A
Strategic Target %		35%	31%	18%	0%	6%	10%		0%
Actual Investment %		35%	31%	17%	2%	5%	10%		0%
Variance % (Strategic vs. Actual)		**(0%)**	**0%**	**(1%)**	**2%**	**(1%)**	**(0%)**		**0%**
CERBT Strategy 2									
Target Ranges %	N/A	15-25%	25-35%	19-29%	11-19%	N/A	6-10%	1-5%	N/A
Strategic Target %		20%	30%	24%	15%		8%	3%	0%
Actual Investment %		20%	29%	24%	15%		8%	3%	1%
Variance % (Strategic vs. Actual)		**(0%)**	**(1%)**	**0%**	**0%**		**0%**	**(0%)**	**1%**

Allocation targets approved at the August 15, 2011 Investment Committee meeting.

Risk Profile *(for the month of September 30, 2011)*

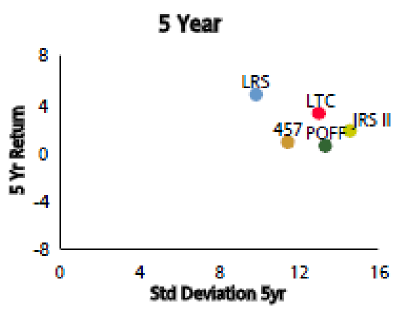
3 Year Risk Profile



TRACKING ERROR

	Excess Return (%)	Tracking Error	Information Ratio
LONG-TERM CARE FUND	0.62	1.15	0.54
CERBT STRATEGY 1 FUND	-0.04	0.97	-0.05
457 AGGREGATE	-0.24	0.81	-0.30
JUDGES' RETIREMENT SYSTEM II FUND	0.22	1.32	-0.02
BALANCED GROWTH - POFF	-1.54	1.18	-1.31
LEGISLATORS' RETIREMENT SYSTEM FUND	1.07	1.98	0.44
SCP AGGREGATE	-1.32	0.77	-1.71

5 Year Risk Profile



TRACKING ERROR

	Excess Return (%)	Tracking Error	Information Ratio
LONG-TERM CARE FUND	0.02	1.03	0.02
CERBT STRATEGY 1 FUND			
457 AGGREGATE	-0.52	0.79	-0.66
JUDGES' RETIREMENT SYSTEM II FUND	-0.27	1.16	-0.36
BALANCED GROWTH - POFF	-1.17	1.02	-1.15
LEGISLATORS' RETIREMENT SYSTEM FUND	0.14	1.68	0.01
SCP AGGREGATE			

Excess Return - The difference between the portfolio return and the index return for the given period
Tracking Error - Standard deviation of the Excess Return
Information Ratio - Excess Return divided by the Tracking Error
The information ratio is used to measure risk adjusted returns; industry practice suggests that below 0.15 is considered low, between 0.15 and 0.25 is medium, and above 0.35 is high.

Net Performance Summary *(for the month of September 30, 2011)*

DEFINED BENEFIT PLANS	Ending Market Value ($millions)	1 Month Fund Rate of Return	1 Month Excess Return in Bps	FYTD Fund Rate of Return	FYTD Excess Return in Bps	1 Yr Fund Rate of Return	1 Yr Excess Return in Bps	3 Yr Fund Rate of Return	3 Yr Excess Return in Bps	5 Yr Fund Rate of Return	5 Yr Excess Return in Bps	10 Yr Fund Rate of Return	10 Yr Excess Return in Bps
JUDGES RETIREMENT FUND	51	0.0	1	0.0	1	0.2	6	0.4	21	2.0	27	2.2	16
JUDGES RETIREMENT SYSTEM II FUND	527	(6.0)	(45)	(9.3)	(66)	0.1	(42)	4.3	22	1.6	(27)	5.0	(10)
LEGISLATOR'S RETIREMENT SYSTEM FU	117	(2.8)	(27)	(3.3)	(73)	4.4	(14)	8.3	107	4.6	14	5.8	(17)
DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS		1 Month		FYTD		1 Yr		3 Yr		5 Yr		10 Yr	
CALPERS SUPPLEMENTAL INCOME 457 PLAN	827	(5.5)	(22)	(10.6)	(61)	(0.9)	(78)	2.3	(25)	0.7	(52)		
SUPPLEMENTAL CONTRIBUTIONS PLAN	17	(5.8)	(24)	(10.6)	(83)	(0.4)	(82)	4.3	(132)				
STATE PEACE OFFICERS' &	432	(6.2)	(28)	(11.2)	(98)	(0.7)	(100)	1.7	(154)	0.4	(117)	3.5	(102)
HEALTH AND OTHER POST-EMPLOYMENT BENEFIT FUNDS		1 Month		FYTD		1 Yr		3 Yr		5 Yr		10 Yr	
CALPERS CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST (CERBT) STRATEGY 1 FUND	1,681	(6.5)	1	(11.6)	(15)	(0.9)	10	3.1	(4)				
CALPERS HEALTH CARE BOND FUND	466	0.2	(57)	2.6	(119)	5.2	(8)	8.3	36				
LONG TERM CARE FUND	3,073	(4.2)	9	(7.1)	(22)	2.3	28	6.4	62	3.1	2	5.5	12
RESERVE FUNDS		1 Month		FYTD		1 Yr		3 Yr		5 Yr		10 Yr	
CONTINGENCY RESERVE FUND	6	0.0	1	0.0	1	0.2	6	0.4	21	2.0	27	2.2	16
SECURITES LENDING COLLATERAL		1 Month		FYTD		1 Yr		3 Yr		5 Yr		10 Yr	
SECURITES LENDING COLLATERAL REINVESTMENT POOLS	11,932	0.0	2	0.07	5	0.7	61	2.55	237	2.62	92	2.58	53

Policy Violations and Significant Events

Material Exceptions to Policy

According to policy requirements, the following is a summary of investment policy violations as reported by the program area.

Securities Lending:

Violation in Securities Lending Internal Collateral Reinvestment (INTCOL):

Compliance Issue: ABS must be rated >= AAA (splits LO)

00432CDM0 ACCSS 2007-1 A2 AAA/Aa3/AAA

On Oct 7, Moody's downgraded this bond from Aaa to Aa3 primarily due to Access Group Inc, servicer and administrator, being non-investment grade, and the lack of back-up arrangements to facilitate a servicing transfer, if needed. This downgrade was due to a change in Moody's Operational Risk Guidelines published on April 13. S&P and Fitch ratings are AAA

On Oct 12, indicative bid requests on the bond were sent out to brokers. Staff recommends holding the bond for now due to indicative bid levels not being attractive. Staff will closely monitor the bond and Access Group Inc. to determine future action.

As of Oct 12, we have $83mm in positions. At a prepayment speed of 2 CPR (conditional prepayment rate), the bond has an average life of 2.87 yr. The bond is backed by 100% FFELP student loans which are guaranteed by the federal government.

Violation in Securities Lending Program:

Compliance Issue: Ratings Downgrade on Approved Borrowers

On Sept 21, Moody's downgraded the short term ratings of Citigroup (Citi) and Bank of America (BOA) from P-1 to P-2. Both Citigroup and Bank of America were approved borrowers in the securities lending program, however approved borrower qualifications requires a minimum rating at or above P-1. Therefore both Citi and BOA are in violation of the Counter Party Credit Tier requirements under the Securities Lending Investment Policy. These violations are on the Loan side of the ledger, the Re-Investment holdings do not have exposure to either counterparty.

Policy Violations and Significant Events

Current Exposure

1. Citigroup c/party exposure: $642,703,254
2. Bank of America (under Merrill Lynch PFS subsidiary) c/party exposure: $108,016,703

We issued blanket recalls to initiate an orderly un-wind for both borrowers. The majority of the balances will be returned within 10 days and the remaining balance to be returned within 30 days.

The loan balances above were over collateralized, continued to be marked to market daily, and we have counterparty default indemnification insurance of $100 million through our securities lending administrator.

Per Policy, we will remove Citi and BOA from the Approved Counterparty Borrowers list and Eligible Repo Counterparties list found within the Attachments of the Securities Lending Policy and circulate for approval.

Per Securities Lending Policy, the Consultant shall be asked to provide an opinion on all new Policy Violations. Attached is Wilshire's letter for the most recent Policy Violations (Attachment 1).

Significant Events

No significant events to report for period.

Investment Transactions Summary – Estimated Values *(for the month of September 30, 2011)*

	CERBT Strategy 1 Fund	Health Care Bond Fund	Judges Retirement Fund	Judges Retirement System II Fund	Legislator's Retirement System Fund	Long Term Care Fund	Contingency Reserve Fund
Beginning Market Value	1,779,063,725	465,657,437	48,865,463	554,975,702	121,177,618	3,199,830,257	6,110,326
+ Purchases	109,266,453	-	52,870,752	375,336,321	60,325,581	88,796,486	6,110,985
- Sales	(123,916,034)	-	(50,865,397)	(6,007,138)	(66,105,576)	(171,271,386)	(6,110,315)
+/- Change in MV	(83,281,175)	743,802	(2,620)	(397,091,372)	1,641,449	(44,745,184)	(337)
Ending Market Value	1,681,132,968	466,401,239	50,868,197	527,213,513	117,039,072	3,072,610,173	6,110,659

CalPERS Investment Office
Investment Servicing Division
400 Q Street
Sacramento, CA. 95814

Wilshire

Andrew Junkin, CFA, CAIA
Managing Director & Principal

November 2, 2011

Dr. George Diehr
Chair of the Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Global Fixed Income –Policy Violations

Dear Dr. Diehr:

As part of Wilshire's duties to the Investment Committee, we are required to opine on policy violations and actions taken by Staff to rectify the violations. We were recently notified of three violations stemming from rating agency downgrades in various fixed income programs.

The first two violations occurred within the securities lending program with respect to the short term ratings of Bank of America and Citigroup (Moody's downgraded each to P2, while policy requires that counterparties be rated P1). Staff took actions to substantially unwind the securities lending positions that B of A and Citigroup had outstanding.

The last violation was cause by the downgrade of a student loan backed security to AA3 from AAA (policy requires AAA ratings for such asset backed securities). Staff sought indicative pricing, but believes that the prices do not reflect fair value for the security and are recommending continuing to hold the security. Staff indicates that the underlying collateral is 100% student loans which are guaranteed by the federal government; thus, the downgrade is primarily related to the servicer, not the likelihood of being repaid.

We believe that Staff has taken appropriate actions and recommend that the asset backed security continue to be held at Staff's recommendation. With respect to the asset backed security, Wilshire recommends that the Investment Committee request another update should another downgrade occur.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,